UNITED STATES PATENT AND TRADEMARK OFFICE

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EXAMINER
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3693	

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Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

	Application No.	Applicant(s)
Office Action Summary	10/678,326	BLOWERS, ALDEN J.
	Examiner	Art Unit	
	PAUL SHUMATE	3693	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE *3* MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *02 September 2010*.

2a)☐ This action is **FINAL**.   2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-22* is/are pending in the application.

    4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-22* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

    Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

    Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

    a)☐ All   b)☐ Some *   c)☐ None of:

      1.☐ Certified copies of the priority documents have been received.

      2.☐ Certified copies of the priority documents have been received in Application No. _____.

      3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

    * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☐ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO/SB/08)
    Paper No(s)/Mail Date _____.

4) ☐ Interview Summary (PTO-413)
    Paper No(s)/Mail Date. _____.
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

1.   This office action is in reply to the communication filed 09/02/2010

2.   Claims 1-22 are currently pending and have been examined.

3.   Applicant filed a Declaration under 37 C.F.R. § 1.132 along with the communication filed on 09/02/2010.

Claim Rejections - 35 USC § 103

4.   The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

5.   Claim(s) 1-4, 7-13, and 15-22 rejected under 35 U.S.C. 103(a) as being unpatentable over Gates et al, U.S. Patent No.: 6,411,938, in view of Alexander, Marcus and David Young. "Strategic Outsourcing" Long Range Planning 29.1 Feb. 1996: 116-119, hereinafter "Alexander."

As per claim 1, Gates teaches:

- receiving at least one ACH transaction by a computer system executing a payroll ACH service from a payroll vendor for a client of the payroll ACH

service provided by a payroll ACH service provider that is separate from the payroll vendor; (see at least column 9 lines 10-16, column 10 lines 10-16, column 10 lines 47-49, and column 11 lines 20-26) Gates teaches receiving a *payroll* from a client which can include *direct deposits* and *tax payments*, both of which can be ACH transactions.

- verifying the at least one ACH transaction by the payroll ACH service of the payroll ACH service provider, the verifying including error checking of the at least one ACH transaction by the computer system; (see at least column 9 lines 13-44 and column 10 lines 10-16) Gates teaches performing a *validity test on the received data.*

- executing the at least one ACH transaction by the payroll ACH service of the payroll ACH service provider; (see at least column 10 lines 47-61, column 10 lines 10-16, and column 11 lines 33-39) Gates teaches creating an appropriate ACH batch file and transmitting this file via the ACH network to one or more receiving depository financial institutions.

- limiting financial risk by providing balancing information and control of the ACH transaction execution to the payroll vendor through the payroll ACH service of the payroll ACH service provider (see at least column 9 lines 45-61 and column 11 lines 33-49) Gates teaches establishing an exposure limit for each client when making tax payments and direct deposits on behalf of the client. If a limit is exceeded, then no direct deposits from the current payroll will be paid by the service provider and either a rejection notice will be

delivered to the client or payment for the direct deposits will be made directly from the client's own bank account. This limits the service provider's risk when making payments, and therefore assuming liability, on behalf of a client.

Gates teaches the method steps as shown above, but only with respect to a payroll vendor service provider receiving data such as ACH transaction data from their client, a business in need of payroll services, and performing the method steps as claimed to provide further services. Gates does not teach *another* payroll service provider who is separate from the payroll vendor service provider, which receives data including ACH transaction data from their client, and then performs the method steps as claimed to provide further services. In summary, Gates teaches a business outsourcing their payroll and related services to a payroll vendor who performs the steps as shown above. The present invention appears to teach that the payroll vendor further outsource their payroll related services to another, separate payroll service provider, where the separate payroll service provider then performs the steps as shown above.

Alexander, however, teaches that outsourcing can be used as a means of controlling costs and developing simpler, more flexible organizations with new sources of competitive advantage (see at least page 116 column 1 paragraph 1 lines 8-10), outsourcing is often adopted on a simple value-to-money basis (see at least page 116 column 1 paragraph 2 lines 2-3), and outsourcing can generate better service at a lower cost to the end user while providing the supplier with a profit margin (see at least page 116 column 1 paragraph 2 lines 17-19). Alexander further teaches that as specialist suppliers multiply and create competitive markets, more services are commoditized and

become ripe for outsourcing to even more specialized suppliers (see at least page 116 column 1 paragraph 3 lines 4-6) so if there is reason to believe that an outside provider will be significantly more capable in an area in question, risk may be reduced (see at least page 117 column 2 paragraph 3 lines 9-11), costs may be cut, and profit margins may increase.

Therefore it would have been obvious to include a third party service provider, or even a fourth or fifth party service provider, into the teachings of Gates to help perform part of or all of the steps above if the initial payroll vendor service provider determined that the value-to-money ratio of outsourcing specific tasks to other service providers, whom may be significantly more capable in the areas of question, would yield better service at a lower cost to the end user because not only do such partnerships provide greater profit margins to suppliers but they also allow companies to grow quickly while their management retains a more external focus and avoids the myriad of distractions from coping with internal growth (see at least page 116 column 1 paragraph 2 lines 2-3, page 116 column 1 paragraph 2 lines 17-19, page 117 column 2 paragraph 3 lines 9-11, and page 118 column 1 paragraph 2 lines 12-15). The examiner further notes that if the exact same steps which yield the same results are being performed by two different entities, *who* performed the steps does not significantly distinguish one method from the other.

As per claim 2, Gates further teaches:

- wherein limiting financial risk includes requiring a direct debit procedure. (see at least column 11 lines 46-48)

As per claim 3, Gates further teaches:

- wherein the at least one ACH transaction is received in a single batch from the client. (see at least column 9 lines 10-24, column 9 lines 31-34, and column 10 lines 47-53)

Gates teaches receiving payroll data (which may include direct deposit or tax payment transaction data) from a client in a single payroll file which is parsed by the receiver into its individual components. This single payroll file constitutes the single batch.

As per claim 4, Gates further teaches:

- forecasting available funds for an account (see at least column 9 lines 45-48)

Gates teaches in at least column 9 lines 45-58 "an exposure limit established by the payroll service to limit financial exposure when making tax payments and direct deposits on behalf of a client." An exposure limit, by definition, is the maximum amount an originator is allowed to originate which can be based on the originator's credit rating, historical or predicted funding requirements, and the type of obligation. As Gates teaches establishing an exposure limit for each client, it would be inherent that the service provider must forecast expected funds a client will have available in their account and the client's ability to repay debt accrued as the service provider makes tax payments and direct deposits on their behalf.

As per claim 7, Gates further teaches:

- accumulating tax payment data for off site back up. (see at least column 6 lines 61-67, column 10 lines 43-46, and column 12 lines 35-40)

Gates teaches storing year-to-date and quarter-to-date tax and wage totals, then teaches archiving quarterly and annual figures of wages and taxes for later use, and further teaches transmitting updated state and federal tax tables from the service provider computer to the clients' computers to be stored for use by the clients' computers' software. Gates also teaches that the payroll computer system is to be owned and operated by a completely separate business (service provider) than the employer (client) which operates the client computer. Therefore saving a copy of updated tax table data on a client's computer, which was sent from the service provider's computer, teaches off site backup of tax payment data. However, it is also old and well known to back up important information in off site locations because this significantly reduces the chance of losing data due to computer, system, or network failure.

As per claim 8, Gates further teaches:

- wherein the verification of the at least one ACH transaction includes comparing year to date transaction data. (see at least column 9 lines 13-24)

Gates teaches ensuring the received payroll is up to date and properly reflects all previous payroll transactions. To ensure that all previous payroll transactions are properly reflected in the current payroll data, year to date data from previous payrolls would have to be compared to the year to date data of the current payroll.

As per claim 9, Gates further teaches:

- assuming by the payroll vendor service provider of liability for non sufficient fund returned items on behalf of their client (see at least column 11 lines 33-39)

Gates teaches making appropriate ACH transactions on behalf of a client using the service provider's bank account and then initiating a funds collection process where transaction reimbursement funds are collected from the client.

As per claim 10, Gates further teaches:

- notifying the client regarding one of negative and positive tax balances. (see at least column 11 lines 49-58)

Gates teaches sending 940 tax forms to the IRS for each client and sending a duplicate copy to each client. The 940 tax form includes a line for "Balance Due" amount and a line for "Overpayment" amount. Therefore, by sending to a client a duplicate copy of the client's own 940 tax form

As per claim 11, Gates further teaches:

- testing files for one of an additional client and missing client. (see at least column 9 lines 25-29)

- Gates teaches verifying a client's PIN and ID against a stored list to determine if the transmitted data is from a currently registered client. If the client is not found in the stored list (the client is missing from the list), then a message is sent back to the employer submitting the data.

As per claim 12, Gates further teaches:

- verifying one of an additional employee and an additional bank account. (see at least column 7 lines 11-18, column 9 lines 13-24, and column 12 lines 62-65)

Gates teaches submitting to the payroll service provider personal information for each employee (see at least column 12 lines 62-65), which is used in processing payroll transactions, and allowing the employer to edit and update this data when necessary, such as when an employee is hired or released (see at least column 7 lines 11-18). The payroll service provider performs a validity test on payroll data received from a client to make sure it is accurate and that is properly reflects previously submitted payroll data. (see at least column 9 lines 13-24). Therefore, employee data present in past payrolls, but not properly reflected in the current payroll (missing employee or client data), can cause the payroll validity test to fail. New data (additional employee or client data) which does not correspond properly to previous payrolls can cause the validity test to fail as well. A new employee (and a new bank account if the employee chose to be paid via direct deposit) would be verified by the payroll service provider by comparing the new employee data to the stored data previously entered and updated by the employer.

As per claim 13, Gates teaches:

- placing available funds in a trust management system (see at least column 10 lines 17-24)

Gates teaches receiving provisional funds from a client, dividing the funds into the payroll service provider's direct deposit, tax, and fee accounts. The payroll service

provider, using the provisional funds, makes appropriate direct deposits and tax payments on behalf of the client. Therefore the payroll service provider is holding and managing clients' funds on behalf of the clients.

As per claim 15, Gates further teaches:

- contracting directly with the client by the service provider. (see at least column 1 lines 16-18)

As per claim 16, Gates further teaches:

- allowing the client to use a federal reserve bank account number of the service provider. (see at least column 10 lines 1-24 and column 11 lines 27-62)

Gates teaches conducting ACH transactions and transfers from the service provider's bank account to the appropriate Federal Reserve accounts on behalf of the client. Therefore, the service provider is enabling their clients to conduct ACH transactions using the service provider's account.

As per claim 17, Gates further teaches:

- testing files for duplicate client batches for a payroll check date. (see at least column 9 lines 13-24) Gates teaches validating received payroll data and that any conventional synchronization protocol may be used in the process. Duplicate transaction data would cause the received payroll to fail the validity test and the payroll would be returned to the employer for correction.

As per claim 18, Gates further teaches:

- separating a set of charges between the payroll vendor and the client. (see at

    least column 2 lines 4-5 and column 4 lines 17-18)

Gates teaches charging the client a calculated fee for preparing the payroll. This

fee is charged only to the client and not to anyone else. Therefore this fee would have

to be separated from any fees charged to anyone other than the specific client being

billed for the service. It is also an intrinsic characteristic of charging for services that

fees are billed specifically to the client that requested the service to be performed, so

separating charges between different clients would be inherent.

As per claim 19, Gates further teaches:

- wherein all ACH transactions are received in a single file per client from the

    vendor and a single debit is generated. (see at least column 9 lines 62-67 and

    column 10 lines 1-24)

As per claim 20, Gates teaches:

- receiving a file containing ACH related data; (see at least column 9 lines 10-

    16, column 10 lines 47-49, column 11 lines 20-26, and the rejection for claim

    1 as shown above)

- checking the ACH related data for erroneous data; (see at least column 9

    lines 13-44 and the rejection for claim 1 as shown above)

- determining a risk management scheme for the ACH related data to protect a

    payroll vendor; (see at least column 9 lines 45-61 and the rejection for claim

    1 as shown above)

- processing the ACH related data by a payroll provider according to the risk management scheme the payroll service provider separate from the payroll vendor (see at least column 9 lines 45-61 and the rejection for claim 1 as shown above)

As per claim 21, Gates further teaches:

- verifying the ACH related data against prior transaction history data. (see at least column 9 lines 13-38)

As per claim 22, Gates further teaches:

- checking the ACH related data for one of an additional client and a missing client. (see at least column 9 lines 25-29 and the rejections for claims 11 and 12 as shown above)

6.   Claim(s) 5 and 6 rejected under 35 U.S.C. 103(a) as being unpatentable over Gates et al. in view of Alexander further in view of Crapo, U.S. Patent No.: 5,987,433.

Regarding claims 5 and 6:

- establishing predetermined types of investment objectives

- investing available funds based on forecasted availability

Assuming forecasted funds are sufficient, Gates determines how to layout, distribute, and transfer specific amounts of money to appropriate accounts, banks, and organizations in order to provide payroll services such as direct deposits and also to pay proper taxes to avoid financial penalties. Therefore it could potentially be argued that these steps taught by Gates are substantially equivalent to the steps recited in claims 5 and 6. However, if it is assumed that claims 5 and 6 are referring to investing excess

available funds, managed by the service provider on behalf of the client, which will not be needed until a later date, and therefore the forecasting in claim 4 would be referring to determining what funds would be available (not immediately needed) to be invested, then it could be argued that Gates does not in fact teach the limitations of claims 5 and 6.

Crapo, however, teaches a "method and system for developing a time horizon based financial model for investing towards attaining at least one financial objective (see at least column 2 lines 14-16 of Crapo)" and "an individual or couple using the system inputs information such as facts, assumptions, and financial objectives into the computer (see at least column 3 lines 10-12 of Crapo)." Further, Crapo teaches investing available funds based on forecasted availability (see at least the last limitation of claim 11).

Both the teachings of Crapo and the steps recited in the claims at hand fall into the field of banking, and specifically the field of managing money in financial accounts. Therefore knowledge that available (non-tied up) funds could be invested instead of sitting stagnant in a holding account is presumed to be common knowledge to someone in charge of managing financial accounts and moving money around. It would have been obvious to include the steps of investing available funds according to investment objectives and forecasted availability into the process of managing financial accounts and forecasting available funds because this would allow available funds to gain grow instead of remaining stagnant and also because this doing do is common knowledge and therefore complete common sense to a person of ordinary skill in the art of

managing money in financial accounts.   Further, the examiner points out that the limitations of claims 5 and 6 do not functionally rely or depend on the limitations of claim 1 and the limitations of claims 5 and 6 would perform the same function when separated from the limitations of claim 1 as they would when combined.

7.   Claim(s) 14 rejected under 35 U.S.C. 103(a) as being unpatentable over Gates et al. in view of Alexander further in view of Marks, U.S. Patent No.: 5,117,356.

As per claim 14, Gates teaches the method of claim 1 as shown above and further teaches:

- using an accounting system in processing transactions (see at least column 1 lines 11-14 of Gates)

However, Gates in view of Alexander does not explicitly teach:

- using a *double entry* accounting system in processing transactions

Marks, however, teaches a computer implemented recordkeeping system for use in connection with a double-entry bookkeeping or accounting system (see at least column 3 lines 56-69) where the control general ledger file contains one account record for each active ledger account, e.g., accounts payable, accounts receivable, accrued payroll, etc., of the entity whose books are being maintained by the system (see at least column 4 lines 41-44).   The limitations of claim 1 are taught by Gates in view of Alexander as shown above.   The limitation of claim 14 is taught by Marks as shown above. It would have been obvious at the time the invention was made to combine the teachings of Gates, Alexander, and Marks to include using a double entry accounting

system in processing transactions as motivated by Marks in at least column 2 lines 34-41 and column 4 lines 41-44 and because double-entry accounting provides for quickly checking accuracy and whether separate or in combination the limitations in claims 1 and 14 would perform the same function. Further, it is old and well known that double-entry accounting is the basis of the standard system used by businesses and other organizations to record financial transactions.

Response to Arguments

8.   Applicant's arguments filed 09/02/2010 have been considered but are not persuasive.

9.   Applicant filed a declaration under 37 C.F.R. § 1.132 on 09/02/2010 along with evidence intended to show commercial success in order to rebut the Examiner's prima facie case of obviousness.

10.   Applicant indicates that the importance of the elements of the claims being performed by a third party has been clarified and this importance has been shown in the recently submitted arguments in item 8 in the Declaration. However, item 8 in the Declaration only explains and clarifies that the inclusion of "error checking," "balancing," and "control," reduce risk due to this additional level of checking that is preformed and is silent to any arguments or explanations as to why performing such checking *by a third party* as opposed to in the prior art where such checking is performed by either a payroll or banking entity.

11.   Applicant again argues that because their product FLEXACH® *encompasses* implementations that *cover* each of the elements of the pending claims, because FLEXACH® has been a commercially successful product, and because Cache Banq did not have any market power when FLEXACH® was introduced, the *present claims* are not obvious over the cited references.

12.   However, after evaluating the evidence, the examiner is not convinced that the declaration is sufficient to overcome the rejections of claims 1-22 based upon Gates in view of Alexander, Gates in view of Alexander further in view of Crapo, and Gates in view of Alexander further in view of Marks as set forth in the last Office action.

13.   First, an applicant who is asserting commercial success to support its contention of nonobviousness bears the burden of proof of establishing a nexus between the *claimed invention* and evidence of commercial success.   Applicant states that "FLEXACH® *encompasses* implementations that *cover* each of the elements of the pending claims," but does no show that the claimed features were responsible for the commercial success.   The commercial success must be due to claimed features, and not due to unclaimed features, or even to other factors such as extensive advertising and changes in related technology or consumer demand.

14.   An affidavit or declaration attributing commercial success to a product or process

"constructed according to the disclosure and claims of [the] patent application" or other

equivalent language does not establish a nexus between the claimed invention and the

commercial success because there is no evidence that the product or process which

has been sold corresponds to the claimed invention, or that whatever commercial

success may have occurred is attributable to the product or process defined by the

claims.

15.   Second, commercial success shown by gross figures such as total revenue, total

number of clients, total transactions, and total value of transactions. Gross figures do

not show commercial success absent evidence as to market share or as to what sales

would normally be expected in the market.

16.   In view of the foregoing, when all of the evidence is considered, the totality of the

rebuttal evidence of nonobviousness fails to outweigh the evidence of obviousness. It

refer(s) only to the system described in the above referenced application and not to the

individual claims of the application. Thus, there is no showing that the objective

evidence of nonobviousness is commensurate in scope with the claims. See MPEP

§ 716.

17.   Further, Applicant's arguments do not comply with 37 CFR 1.111(c) because

they do not clearly point out the patentable novelty which he or she thinks the claims

present in view of the state of the art disclosed by the references cited or the objections

made.

18.   Any inquiry concerning this communication or earlier communications from the examiner should be directed to Paul Shumate whose telephone number is 571-270-1830. The examiner can normally be reached on M-F 8:30 AM - 6:00 PM, EST alt Fridays off.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Kramer can be reached on 571-272-6783. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

Name: Paul W. Shumate
Title: Patent Examiner
Date: 9/30/2010
Signature: /Paul Shumate/
                  Examiner, Art Unit 3693

/James A. Kramer/
Supervisory Patent Examiner, Art Unit 3693